

**STATE BOARD OF EQUALIZATION
FISCAL YEAR (FY) 2011-12
PROPOSAL No. XX**

TITLE OF PROPOSED CHANGE:

Enhancing Tax Compliance

SUMMARY OF PROPOSED CHANGES:

This proposal requests resources to address the growing number of productive audit leads and collection cases that are currently not being addressed, and to enhance collection and enforcement efforts through participation in the High Intensity Financial Crimes Area (HIFCA) task force. This proposal is expected to generate approximately \$36.3 million (\$24.6 General Fund (GF)) in FY 2011-12 and \$38.5 million (\$26.0 million GF) in FY 2012-13, and ongoing.

Specifically, this proposal requests \$7,885,000 (\$5,866,000 General Fund and \$2,019,000 Reimbursements), 74.5 positions in fiscal year (FY) 2011-12 and \$7,739,000 (\$5,758,000 General Fund and \$1,981,000 Reimbursements), and 80.5 positions in FY 2012-13, and ongoing. The ongoing benefit to cost ratio of this proposal is 5.0 to 1.

Revenue figures assume an implementation date of July 1, 2011. Any delays to implementation will impact the estimated revenue figures.

This proposal includes three elements as listed below:

Element #	Description	FY 2012-13 & Ongoing Expenditures	FY 2012-13 & Ongoing Revenues	Positions	B/C Ratio
1	Collection Program Enhancement (SUTD)	\$5,962,000	\$29,764,164	66.5	5.0:1
2	Alcoholic Beverage Tax Audit Program (PSTD)	613,000	2,881,000	5.0	4.7:1
3	High Intensity Financial Crimes Area (HIFCA)/Enhanced Enforcement	1,164,000	5,850,002	9.0	5.0:1
	Total	\$7,739,000	\$38,495,166	80.5	5.0:1

This proposal will improve tax compliance by concentrating on the following areas:

- Increase sales and use tax collection staff to address the increasing number of accounts receivable cases.
- Provide resources to contract with out-of-state attorneys to collect liabilities from out-of-state debtors. These out-of-state attorneys were previously secured by Department of Justice (DOJ), however as of 7/1/10, DOJ will no longer be doing this, therefore BOE will be taking over this responsibility.
- Increase special taxes and fees audit staff to address the Alcoholic Beverage Tax program's increased workload (general fund).
- Increase special taxes and fees staff to concentrate on return schedule matching from alcoholic beverage taxpayers.
- Participate in the High Intensity Financial Crimes Area (HIFCA) task force and enhance the Board's enforcement program.

STATE BOARD OF EQUALIZATION

Sales and Use Tax and Property and Special Taxes Programs

Enhancing Tax Compliance

Fiscal Year 2011-12

A. Nature of Request

This proposal requests resources to address the growing number of productive audit leads and collection cases that are currently not being addressed, and to enhance collection and enforcement efforts through participation in the High Intensity Financial Crimes Area (HIFCA) task force. This proposal is expected to generate approximately \$36.3 million (\$24.6 General Fund (GF)) in FY 2011-12 and \$38.5 million (\$26.0 million GF) in FY 2012-13 and ongoing.

Specifically, this proposal requests \$7,885,000 (\$5,866,000 General Fund and \$2,019,000 Reimbursements) and 74.5 positions in fiscal year (FY) 2011-12, and \$7,739,000 (\$5,758,000 General Fund and \$1,981,000 Reimbursements) and 80.5 positions in FY 2012-13, and ongoing. The ongoing benefit to cost ratio of this proposal is 5.0 to 1.

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	Total	\$7,739,000	\$38,495,166	80.5	5.0:1

A breakdown of the position request by element can be found in Exhibit I.

This proposal will improve tax compliance by concentrating on the following areas:

- Increase sales and use tax collection staff to address the increasing number of accounts receivable cases.
- Provide resources to contract with out-of-state attorneys to collect liabilities from out-of-state debtors. These out-of-state attorneys were previously secured by Department of

Justice (DOJ), however as of 7/1/10, DOJ will no longer be doing this, therefore BOE will be taking over this responsibility.

- Increase special taxes and fees audit staff to address the Alcoholic Beverage Tax program's increased workload (general fund).
- Increase special taxes and fees staff to concentrate on return schedule matching from alcoholic beverage taxpayers.
- Participate in the High Intensity Financial Crimes Area (HIFCA) task force and enhance the Board's enforcement program.

B. Background/History

The BOE is committed to accountability and service to the public, whose interest is best served through sound administration of tax laws. This can be most effectively accomplished through programs that encourage existing taxpayers, as well as individuals and unregistered businesses, to voluntarily comply with the laws. The BOE's compliance program provides assistance to the tax paying public while also providing a fair and firm enforcement program to ensure taxes are properly reported and paid.

Economic changes in the past several years, along with changes and enhancements previously pursued, have provided the state with opportunities to improve compliance and increase revenues. Improvement opportunities have been identified in three areas, each of which is an element of this proposal and are summarized below. Additional details are provided in section D, *Justification and Analysis of All Feasible Alternatives*.

- Element #1, Collection Program Enhancement – The economic downturn in recent years has contributed to an increase in the number of sales and use tax accounts with past due liabilities. Although the number of accounts with past due liabilities has increased substantially, collection staff tasked with resolving these cases have not. Increasing the number of collection staff will allow a greater number of accounts with past due liabilities to be more effectively worked and in turn, therefore, increase revenue. Additionally, this proposal requests resources to acquire out-of-state counsel to represent the BOE in collection of liabilities from taxpayers located outside of California.
- Element #2, Alcoholic Beverage Tax Audit Program - During a three-year period, fiscal FY 2006-07 through 2008-09, the audit program's audit coverage has been limited to less than one half of a percent. During this same time period, the number of registrants has increased by 25 percent. Hence, increasing the number of audit staff will allow a greater number of audits to be performed, resulting in improved compliance and increased revenues.
- Element #3, HIFCA Task Force/Enhanced Enforcement – Provides resources which will allow for participation in the HIFCA task force. Participation in HIFCA will enhance BOE's collection and enforcement efforts thereby increasing revenues. HIFCA's role is to disrupt and dismantle large scale money laundering systems and organizations. Ongoing participation in HIFCA will provide access to financial institution information as well as the analysis of new financial forensic tools that can assist in the identification of tax evasion. Enhanced enforcement will also focus on tax fraud in specific industries where escalated tax evasion has been observed.

C. State Level Considerations

Given the current economic climate in California as well as the state's budgetary situation, it is vital to increase revenues by increasing compliance with existing tax and fee laws. The approval of this proposal will generate new state revenue and accelerate revenues without

increasing taxes, supporting the intent of the Legislature. This proposal also will enhance overall voluntary tax compliance and will result in more equitable taxation between non-compliant taxpayers and those who voluntarily comply. Denial of this proposal will result in continued estimated revenue loss for California of \$38.5 million annually as of 2012-2013 and ongoing.

This proposal is consistent with the BOE's Strategic Plan to maximize voluntary compliance in BOE's tax and fee programs and enhance operational effectiveness. This proposal places no new burdens on compliant businesses.

D. Justification and Analysis of All Feasible Alternatives

The BOE is responsible for administering various tax and fee programs for the State of California. Activities involved in administering these programs include identifying opportunities for increasing compliance with existing tax and fee laws. Three areas of opportunity have been identified as an element of this proposal – each of the elements are discussed in this section.

Element #1 - Collection Program Enhancement (SUTD)

This element provides resources for the BOE to pursue collections of the increasing number of accounts receivable. Increasing the number of collector positions will increase the number of accounts worked and generate approximately \$29.8 million annually. Specifically, this element requests \$6,244,000 and 62.5 positions in FY 2011-12 and \$5,962,000 and 66.5 positions in FY 2012-13 and ongoing.

The following table summarizes the personnel years required for this element:

	FY 2011/12	FY 2012/13 and Ongoing
Element #1: Collection Program Enhancement		
<u>Sales and Use Tax Department</u>		
Tax Technician III (12-Field Offices, 1-ADRS)	13.0	13.0
Business Taxes Representative	25.0	25.0
Business Taxes Compliance Specialist	13.0	13.0
Business Taxes Specialist I (ADRS)	1.0	1.0
Business Taxes Compliance Supervisor	5.0	5.0
<u>Legal Department - Special Operations Branch</u>		
Tax Technician III		1.0
Business Taxes Compliance Specialist		1.0
Business Taxes Specialist I		1.0
Associate Government Program Analyst (OMS)		1.0
Business Taxes Specialist I (OIC Unit)	1.0	1.0
<u>Taxpayer Rights and Equal Employment Division</u>		
Business Taxes Specialist I	1.0	1.0
Tax Technician I	1.0	1.0
<u>Administration Department</u>		
Personnel Specialist	0.5	0.5
Associate Business Management Analyst	0.5	0.5
Staff Information Systems Analyst (Spec)	0.5	0.5
<u>Technology Services Division</u>		
Staff Information Systems Analyst (Spec)	1.0	1.0
PY's	62.5	66.5

As identified in the following table, the number of sales and use tax accounts with past due liabilities has increased approximately 55 percent, while the total amount of liabilities remaining unpaid has nearly doubled. Hence, the number of collection staff responsible for obtaining payment of these liabilities has not increased substantially. As a result, staff are unable to fully work all accounts with past due liabilities. Augmenting the collection staff allows the BOE to work productive collection cases that currently remain un-worked or are delayed due to a lack of resources.

Accounts Receivable Inventory, Sales and Use Tax Department

Inventory as Of	Number of Accounts	Total A/R Amount
June 30, 2010	89,693	\$1,422,432,248
June 30, 2009	84,391	\$1,141,574,036
June 30, 2008	65,826	\$873,269,193
June 30, 2007	57,914	\$725,469,665

The BOE consistently strives to improve the current collection program with limited resources. However, the addition of resources can directly increase revenues.

Revenue was estimated based on the results expected to be generated from adding experienced collectors to the in-state field offices. Collector revenues are calculated using the average amount of accounts receivable collected per collector. Each Tax Technician III will bring in revenue of \$327,513 annually, each Business Taxes Representative and Business Taxes Compliance Specialist will bring in revenue of \$643,816 annually.

Included in the costs above, are \$200,000 for consulting services for the BOE to enter into contractual agreements with out-of-state attorneys to assist in the collection of liabilities from debtors that have moved outside of California or own assets located out-of-state that are not currently being pursued. These out-of-state attorneys were previously secured by Department of Justice (DOJ), however as of 7/1/10, DOJ will no longer be doing this, therefore BOE will be taking over this responsibility. It is anticipated that 20 collection cases per year will require referral to out-of-state counsel, with anticipated revenue of \$1,369,000 per year.

Estimated revenue that will be generated by this element is summarized in the table below.

Workload justification is provided in Exhibit II.

Estimated Revenue for Element #1, Collection Program Enhancement (a)

Position/ Activity	Yearly Revenue per Position	FY 2011-12	FY 2012-13 and Ongoing
<i>Field Operations Division</i>			
12.0 Tax Technician III Positions	\$327,513	\$3,930,156	\$3,930,156
25.0 Business Tax Representative Positions	\$643,813	\$16,095,400	\$16,095,400
13.0 Business Taxes Compliance Specialist Positions	\$643,813	\$8,369,608	\$8,369,608
<i>Subtotal</i>		<i>\$28,395,164</i>	<i>\$28,395,164</i>
Collection Case Support – Out-of-State Legal Representation		\$1,369,000	\$1,369,000
Total Revenue		\$29,764,164	\$29,764,164

(a) Assumes all positions effective 7/1/2011.

Pros

- Generates \$29.8 million (\$19.3 million GF) in sales and use tax revenue annually by obtaining payment of past due liabilities.
- Provides an ongoing benefit-to-cost ratio of 5.0:1.
- Provides resources for BOE to address the increasing number of taxpayer accounts with past due liabilities.
- Provides resources necessary for BOE to hire out-of-state counsel for the purpose of pursuing collection of past due liabilities owed by taxpayers located outside of California.

Cons

- Requires a budget augmentation of \$6,224,000 (\$4,536,000 GF and \$1,708,000 Reimbursements) in FY 2011-12 and \$5,962,000 (\$4,331,000 GF and \$1,631,000 Reimbursements) in FY 2012-13 and ongoing.

Element #2 - Alcoholic Beverage Tax Audit Program (PSTD)

This element requests resources to augment the Alcoholic Beverage Tax Audit Program to address the growing number of registrants and increase audit coverage. This augmentation will generate \$2.9 million GF revenues annually. Specifically, this element requests \$668,000 and 5.0 positions in FY 2011-12 and \$613,000 and 5.0 positions in FY 2012-13 and ongoing.

Alcoholic beverage tax revenues totaled \$324 million in 2008-09 and program registrants numbered 6,079 at the end of the fiscal year. Although the tax revenue has maintained fairly constant over the past three fiscal years, the number of registrants has increased by over 25 percent. For the 2006-07 through 2008-09 fiscal years, audits were performed on only 0.5 percent of accounts eligible for audit. During this same three-year period, audit revenue averaged \$550,000, or \$448 per audit hour in recovery.

Adding 3.0 permanent field audit positions will allow the program to increase the audit coverage to approximately 2.0 percent of the eligible accounts without degrading the audit recovery. Revenue from increased audit activity is estimated at \$1.88 million per year and is based upon 1,400 hours of field auditing and recovery of \$448 per hour. The 3.0 audit positions are expected to recover over \$1 million in revenue annually.

In addition to audit positions, this element also requests 2.0 additional positions for the purpose of performing schedule matching. The Alcoholic Beverage Tax program receives transaction detail on return schedules from carriers, distributors, importers, vendors and customs brokers of alcoholic beverages. To a very limited extent, matching is performed on select distilled spirit licensees to identify areas of underreporting for audit and compliance purposes. A schedule matching pilot study using part time resources revealed revenue potential of approximately \$1 million annually, if performed on a full time basis. A permanently staffed matching program can fully utilize the return schedules to identify underreporting for billing purposes and further enhance taxpayer compliance by identifying reporting errors sooner.

Estimated revenue that will be generated by this element is summarized in the table below.

Revenue for Element #2, Alcoholic Beverage Tax Audit Program

Positions	FY 2011-12	FY 2012-13 and Ongoing
<i>Field Auditors</i>		
1.0 Business Taxes Specialist I	\$627,000 ^(a)	\$627,000 ^(a)
2.0 Associate Tax Auditor	\$1,254,000 ^(b)	\$1,254,000 ^(b)
<i>Subtotal</i>	<i>\$1,881,000</i>	<i>\$1,881,000</i>
<i>Schedule Matching</i>		
1.0 Associate Tax Auditor	\$500,000	\$500,000
1.0 Tax Technician III	\$500,000	\$500,000
<i>Subtotal</i>	<i>\$1,000,000</i>	<i>\$1,000,000</i>
Total Revenue	\$2,881,000	\$2,881,000

^(a) \$448 x 1,400

^(b) 2 x \$448 x 1,400

Additions to the Alcoholic Beverage Tax program are necessary to maximize compliance and enhance existing audit activities and revenue associated with the growth in the number of registrants.

The following table summarizes the personnel years required for this element – workload justification is provided in Exhibit II.

Table 7: Element #2 – Personnel Years

	FY 2011/12	FY 2012-13 and Ongoing
Alcoholic Beverage Tax Audit Program		
Property and Special Taxes Department		
Tax Technician III	1.0	1.0
Associate Tax Auditor (Field Audit)	2.0	2.0
Associate Tax Auditor (Data Analysis)	1.0	1.0
<u>Business Taxes Specialist I (Field Audit)</u>	<u>1.0</u>	<u>1.0</u>
PYs	5.0	5.0

Pros

- Generates an estimated \$2.9 million in GF revenue annually.
- Provides an ongoing benefit-to-cost ratio of 4.7:1.
- Increases the number of alcoholic beverage tax audits that will be performed each year, increasing the audit coverage from 0.5 to 2.0 percent.
- Provides staffing resources necessary to fully utilize data available for schedule matching. Doing so will allow BOE to identify taxpayers which are underreporting taxes due.
- Assists in encouraging voluntary compliance.
- Identifies and deters tax avoidance, tax evasion and criminal activities.
- Provides an opportunity for BOE to increase taxpayer education and awareness with regard to alcoholic beverage tax laws.

Cons

- Requires a GF budget augmentation of \$668,000 in FY 2011-12 and \$613,000 in FY 2012-13 and ongoing.

Element #3 - High Intensity Financial Crimes Area (HIFCA) Task Force/Enhanced Enforcement

This element will provide BOE with the opportunity to participate in the HIFCA Task Force. Participation in HIFCA will provide BOE the opportunity to identify high value tax evasion and obtain revenue that would have otherwise gone unreported. The BOE also proposes to enhance its efforts in pursuing tax evasion by building partnerships with federal, state, and local agencies to identify sectors of the underground economy that will generate additional criminal tax evasion cases. Specifically, this element requests \$973,000 and 7.0 positions in FY 2011-12, \$1,164,000 and 9.0 positions in FY 2012-13; and ongoing to generate approximately \$3.6 million in FY 2011-12 and \$5.9 million in FY 2012-13 and ongoing through participation in HIFCA.

The Legal Department provides enforcement, collection, and technical legal support to all tax programs administered by the BOE. Resources requested by the Investigations Division (ID) of the Legal Department propose to address industries where evidence of escalated tax evasion has been observed. Tax loss from the cash-driven underground economy includes legal forms of businesses, in addition to the better known illegal economic activity. Each year, tax evaders fail to pay hundreds of millions of dollars in sales taxes and other taxes and/or fees administered by the BOE.

Revenue is estimated based upon the number of felony cases that will be generated via participation in the HIFCA task force and cooperative efforts with the District Attorney Offices. Staff estimates 4.0 felony cases will be identified and worked in FY 2011-12 and 8.0 cases each year thereafter. An additional 2.5 felony tax evasion cases a year will be worked based on leads and referrals from District Attorney Offices and other agencies. Based on the Investigation Division's involvement in felony cases in prior years, on average, each case represents \$557,143 in revenue.

As identified in the table below, total revenue identified under this element is \$3.6 million (\$2.4 million GF) in FY 2011-12 and \$5.9 million (\$3.8 million GF) in FY 2012-13 and ongoing.

Revenue for Element #3, HIFCA Task Force/Enhanced Enforcement

	FY 2011-12	FY 2012-13 and Ongoing
Number of Felony Cases	6.5	10.5
Average Revenue per Case	\$557,143	\$557,143
Total Revenue	\$3,621,430	\$5,850,002

To further address evasion issues, this proposal requests positions to work with and participate in the various HIFCA task forces across the state to enhance collection efforts. HIFCA's role is to disrupt and dismantle large-scale money laundering systems and organizations. Although BOE's association with HIFCA has been limited to date, it has proven of significant benefit to BOE as information received from the task force resulted in a felony tax evasion case with \$3 million in unpaid taxes uncovered. Ongoing participation in HIFCA will allow for access to financial institution information as well as the analysis of new financial forensic tools that can assist in the identification of positive revenue generating audit leads, potential underreporting and non-filers. By enhancing efforts in building partnerships with federal, state, and local agencies, the escalated tax evasion observed in specific industries will also be addressed.

The following table summarizes the personnel years required for this element. Workload justification is provided in Exhibit II.

	FY 2011/12	FY 2012/13 and Ongoing
Element #3 HIFCA Task Force/Enhanced Enforcement		
<u>Legal Department</u>		
Business Taxes Specialist I	1.0	3.0
Business Taxes Specialist II	2.0	2.0
Senior Information Systems Analyst	1.0	1.0
Business Taxes Administrator II	1.0	1.0
Associate Tax Auditor	1.0	1.0
Tax Technician III	1.0	1.0
PY's	7.0	9.0

Pros

- Generates estimated revenue of \$3.6 million (\$2.4 million GF) in FY 2011-12 and ongoing estimated revenue of \$5.9 million (\$3.8 million GF) thereafter.
- Provides an ongoing benefit-to-cost ratio of 5.0:1.
- Provides BOE with resources to participate in HIFCA for the purpose of identifying and addressing instances of tax evasion.
- Allows BOE to address specific industries where escalated tax evasion occurs.

Cons

- Requires a budget augmentation of \$973,000 (\$662,000 GF and \$311,000 Reimbursements) in FY 2011-12 and \$1,164,000 (\$792,000 GF and \$372,000 Reimbursements) in FY 2012-13 and ongoing.

E. Outcomes and Accountability

This proposal requests resources to expand revenue-producing programs in order to generate approximately \$38.5 million (\$26.0 million GF) in revenue annually for California. The outcome of approving the proposal will be measured by increased audit revenues and accelerated revenues from the collection of accounts receivables.

F. Timetable

The BOE requests permanent establishment of the positions beginning July 1, 2011.

Timetable

July 2011 – June 2012	July 2012 – June 2013
<ul style="list-style-type: none"> • Permanently establish and fill positions identified in this proposal. • Train staff. • Formalize HIFCA task force participation. • Contract with vendor to provide legal representation involving for cases involving tax debtors located outside California. 	<ul style="list-style-type: none"> • Permanently establish and fill remaining positions identified in this proposal. • Train staff.

G. Recommendation

To achieve the desired objective of increasing revenue for the General Fund and encouraging self-compliance, BOE recommends approval of all three elements contained in this proposal. Implementing all elements is anticipated to increase revenue by \$36.3 million (\$24.6 million GF) in FY 2011-12 and \$38.5 million (\$26.0 million GF) in FY 2012-13 and ongoing. Pursuing all three elements will require additional funding of \$7.9 million in FY 2011-12 and \$7.7 million in FY 2012-13 and ongoing. In its entirety, this proposal is anticipated to provide a benefit-to-cost ratio of 4.6 to 1 in FY 2011-12 and 5.0 to 1 in FY 2012-13 and ongoing.

H. Fiscal Detail

See attached "Fiscal Detail" Schedules.

EXHIBIT I

Position Description and Workload Justification

	FY 2011/12	FY 2012/13 and Ongoing
Element #1: Collection Program Enhancement		
<u>Sales and Use Tax Department</u>		
Tax Technician III (12-Field Offices, 1-ADRS)	13.0	13.0
Business Taxes Representative	25.0	25.0
Business Taxes Compliance Specialist	13.0	13.0
Business Taxes Specialist I (ADRS)	1.0	1.0
Business Taxes Compliance Supervisor	5.0	5.0
<u>Legal Department - Special Operations Branch</u>		
Tax Technician III		1.0
Business Taxes Compliance Specialist		1.0
Business Taxes Specialist I		1.0
Associate Government Program Analyst (OMS)		1.0
Business Taxes Specialist I (OIC Unit)	1.0	1.0
<u>Taxpayer Rights and Equal Employment Division</u>		
Business Taxes Specialist I	1.0	1.0
Tax Technician I	1.0	1.0
<u>Administration Department</u>		
Personnel Specialist	0.5	0.5
Associate Business Management Analyst	0.5	0.5
Staff Information Systems Analyst (Spec)	0.5	0.5
<u>Technology Services Division</u>		
Staff Information Systems Analyst (Spec)	1.0	1.0
PY's	62.5	66.5
<i>Anticipated Revenue</i>	\$29,764,164	\$29,764,164
<i>Expenditures</i>	\$6,244,000	\$5,962,000
<i>Benefit/Cost</i>	4.8:1	5.0:1
	FY 2011/12	FY 2012/13 and Ongoing
Element #2 Alcoholic Beverage Tax Audit Program		
<u>Property and Special Taxes Department</u>		
Tax Technician III	1.0	1.0
Associate Tax Auditor (Field Audit)	2.0	2.0
Associate Tax Auditor (Data Analysis)	1.0	1.0
Business Taxes Specialist I (Field Audit)	1.0	1.0
PY's	5.0	5.0
<i>Anticipated Revenue</i>	\$2,881,000	\$2,881,000
<i>Expenditures</i>	\$668,000	\$613,000
<i>Benefit/Cost</i>	4.3:1	4.7:1

EXHIBIT I (CONTINUED)

	FY 2011/12	FY 2012/13 and Ongoing
Element #3 HIFCA Task Force/Enhanced Enforcement		
<u>Legal Department</u>		
Business Taxes Specialist I	1.0	3.0
Business Taxes Specialist II	2.0	2.0
Senior Information Systems Analyst	1.0	1.0
Business Taxes Administrator II	1.0	1.0
Associate Tax Auditor	1.0	1.0
Tax Technician III	1.0	1.0
PY's	7.0	9.0
<i>Anticipated Revenue</i>	\$3,621,430	\$5,850,002
<i>Expenditures</i>	\$973,000	\$1,164,000
<i>Benefit/Cost</i>	3.7:1	5.0:1
OVERALL PROPOSAL		
PY's	74.5	80.5
<i>Anticipated Revenue</i>	\$36,266,594	\$38,495,166
<i>Expenditures</i>	\$7,885,000	\$7,739,000
<i>Benefit/Cost</i>	4.6:1	5.0:1

EXHIBIT II**Workload Justification****Sales and Use Tax Department - Field Operations Divisions**

The SUTD Field Operations Divisions plan, organize, direct, and control all administrative activities and the Sales and Use Tax registration, collection and audit functions of the district field offices.

50.0 Collector Positions**12.0 Tax Technician III (Field)**

The Tax Technician III positions primarily are responsible for obtaining payment of lower-dollar accounts receivable cases. Additionally, these positions are often responsible for obtaining tax returns from taxpayers delinquent in filing returns.

25.0 Business Taxes Representative (Field)

The Business Taxes Representative positions are primarily responsible for obtaining payment of mid-dollar accounts receivable cases. Additionally, these positions are often responsible for obtaining tax returns from taxpayers delinquent in filing returns.

13.0 Business Taxes Compliance Specialist (Field)

The Business Taxes Compliance Specialist positions are primarily responsible for obtaining payment of higher-dollar accounts receivable cases. Additionally, these positions are often responsible for obtaining tax returns from taxpayers delinquent in filing returns.

The 50.0 collector positions are expected to generate approximately \$28 million in revenue annually. This amount is based upon marginal productivity for all collector classes. The productivity is analyzed based upon fifty-position increments. As such, the data suggests that hiring more than fifty collector positions will actually reduce the revenue generated per position to a level that provides less than a 4:1 benefit to cost ratio.

5.0 Business Taxes Compliance Supervisor II (Field)

The Business Taxes Compliance Supervisor II positions directly supervise the Tax Technician III, Business Taxes Representative, and Business Taxes Compliance Specialist classifications. The number of positions requested at the Business Taxes Compliance Supervisor II level is consistent with BOE's goal of maintaining a 10 to 1 supervisory ratio.

Sales and Use Tax Department – Headquarters Operations Division**1.0 Business Taxes Specialist I (Audit Determination and Refunds Section)**

The Business Taxes Specialist (BTS) I reviewer in ADRS reviews dual determination packages prepared by Centralized Collections (CCS) and district offices, then creates the billing notices for those determinations. The duties include checking the evidence in the package, such as willfulness, responsible party and sales tax reimbursement to determine if there is adequate evidence to justify a billing. The reviewer also creates the proration schedule to determine what portion of a corporate liability can be billed to each responsible party. The reviewer also prepares the "go-back" form when the evidence or comments are not adequate enough to warrant a billing. When an assignment is returned after the "go-back" the reviewer then checks all of the aspects of the assignment again.

EXHIBIT II (Continued)

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
BTS I	Review dual determination packages and prepare billings	H	2.25	1460	3285
	Total BTS I Hours				3285
	Total BTS I Positions Requested (1,800 Hours Per Position)				1.8

1.0 Tax Technician III (Audit Determination and Refunds Section)

The Tax Technician III position will be responsible for handling issuing estimated tax billings and for working returned mail. The volume of both of these workload areas is anticipated to increase due the augmentation of compliance and audit staff. The number of Compliance Assessments (CASs) issued is anticipated to increase by 1,800 per year. Each CAS takes, on average, 0.17 hours to issue. Additionally, the volume of CAS and audit billings returned to BOE with incorrect mailing addresses is anticipated to increase as well.

This workload is anticipated to increase by 1,080 items per year, each requiring 0.67 hours to resolve.

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Tax Tech III	Issuing Compliance Assessments (CASs)	H	0.25	2100	525
	Processing returned mail - CASs	H	0.80	850	680
	Processing returned mail - Audits	H	0.80	620	496
	Total Tax Tech III Hours				1,701
	Total Tax Tech III Positions Requested (1,800 Hours Per Position)				0.95

Property and Special Taxes Department
Alcoholic Beverage Tax Program

1.0 Business Taxes Specialist I

The Business Taxes Specialist I in the Alcohol Beverage Tax Program conducts the most difficult audit investigations involving the largest and most complex distilled spirits, beer manufacturers, winegrowers, and beer and wine importers.

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Business Taxes Specialist I	Conduct audits and prepare civil audit reports	H	75	19	1425
	Total BTSI Hours				1425
	Total BTSI Positions Requested (1,400 Hours Per Position)				1.02

EXHIBIT II (Continued)**1.0 Associate Tax Auditor**

The Associate Tax Auditor conducts the more difficult alcohol beverage tax audits on the smaller to moderate distilled spirits, beer manufacturers, winegrowers, and beer and wine importers accounts. These accounts represent the majority of the accounts available for audit.

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Assoc. Tax Auditor	Conduct audits and prepare civil audit reports	H	60	48	2,880
	Total ATA Hours				2,880
	Total ATA Positions Requested (1,400 Hours Per Position)				2.06

The Alcoholic Beverage Tax program receives transaction detail on return schedules from carriers, distributors, importers, vendors and customs brokers of alcoholic beverages. To a very limited extent matching is performed on select distilled spirit licensees to identify areas of underreporting for audit and compliance purposes. A pilot study in this area revealed the potential for significant revenue. A permanently staffed matching program can fully utilize the return schedules to identify underreporting for billing purposes, and further enhance taxpayer compliance by identifying reporting errors sooner.

Adding two permanent schedule matching positions, one ATA and one TT III are expected to recover \$1 million in revenue in the first fiscal year and ongoing.

2.0 Associate Tax Auditor

The Associate Tax Auditor will conduct the most difficult schedule matching for the larger and more complex returns involving the largest transaction volume. The auditor will prepare the billing documents and all related correspondence resulting from their reconciliations.

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Assoc. Tax Auditor	Conduct Desk Reconciliations	H	25	65	1625
	Total ATA Hours				1625
	Total ATA Positions Requested (1,600 Hours Per Position)				1.02

This position will perform schedule matching duties to compare returns from licensees to carriers, distributors, importers, vendors and customs brokers of alcoholic beverages to identify underreporting.

EXHIBIT II (Continued)**1.0 Tax Technician III Associate Tax Auditor**

The Tax Technician III will conduct the less difficult schedule matching for the less complicated returns involving fewer transactions. The Tax Technician III will prepare the billing documents and all related correspondence resulting from their reconciliations.

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Tax Technician III	Conduct Desk Reconciliations	H	16	115	1,840
	Total TTIII Hours				1,840
	Total TTIII Positions Requested (1,800 Hours Per Position)				1.02

Legal Department

The Legal Department provides enforcement, collection, and legal support to all of the tax programs administered by the BOE. Each division within the Legal Department has a specific role in its support of these tax programs. This proposal requests 14.0 PYs for the divisions (see Exhibit I). The positions requested are based on the impact to the Legal Department as a result of the workload generated from the enhanced enforcement program and collection positions requested by the Sales and Use Tax Department (SUTD) in this BCP.

Resources requested by the Investigations Division (ID) of the Legal Department also propose to address tax fraud in specific industries where investigative staff has observed evidence of escalated tax evasion. In addition, ID is requesting positions to address criminal elements of the underground economy utilizing financial institutions to launder ill-gotten proceeds by becoming an active participant in the High Intensity Financial Crimes Area (HIFCA) task force.

Settlement and Taxpayer Services Division

The Settlement and Taxpayer Services division administers the BOE's Offers in Compromise (OIC) Program which considers requests for relief of liability under the innocent spouse and equitable relief provisions of the Revenue and Taxation Code.

1.0 Business Taxes Specialist I (OIC Unit Specialist)

The working title of the Business Taxes Specialist I (BTS I) in the Settlement and Taxpayer Services Division, Offer in Compromise Section, is "OIC Unit Specialist." The BTS I recommends Board approval of OICs where the tax debtor will not have the income, assets, or means to pay their full tax liability within a reasonable period of time. This will allow the BOE to collect more revenue than staff could otherwise collect within a reasonable period of time. Also, it will allow a tax debtor to settle a burdensome debt, clear tax liens and attain financial stability.

The OIC Unit Specialist will be the primary contact for taxpayers negotiating sensitive offers.

EXHIBIT II (Continued)

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
OIC Unit Specialist (BTS I)	Address OIC cases for eligible tax programs—negotiate offers with taxpayers, BOE management, Board Members, and other entities; process required documents and make adjustments as warranted for resolution.	H	10.55	128	1,350
	Serve as program expert in the development of OIC and Innocent Spouse policies, procedures and guidelines.	H	5.4	50	270
	Address Innocent Spouse and Equitable Relief cases—prepare recommendations for relief to management; serve as primary backup for reviewer for reconsiderations of denials for Innocent Spouse and Equitable Relief.	H	45	4	180
	Total Business Tax Specialist I Hours				1,800
	Total Business Tax Specialist I Positions Requested (1,800 Hours Per Position)				1.00

Investigations and Special Operations Division

The Investigations and Special Operations division handles the enforcement and specialized collection activity for all the tax programs administered by the BOE.

The Special Operations Branch is responsible for specialized collection functions, which include liens, offsets, discharges from accountability, and bankruptcies. Functional assistance is provided to field office staff engaged in complex collection and compliance actions.

The ID is responsible for the BOE's criminal investigations program which executes all criminal investigative activities, including specialized audits, for the various tax programs administered by the BOE. Its goals are to identify tax evasion problems, identify new fraud schemes, and actively investigate and assist in the prosecution of crimes committed by individuals who are violating the laws administered by the BOE.

Special Operations Branch**1.0 Tax Technician III**

The Tax Technician III (TT III) in the Special Operations Branch handles requests from the district offices, Centralized Collections and other units within the BOE for Early Filing of Notice of State Tax Lien, Jeopardy Lien, and Lien Renewals, Employment Development Department (EDD) and Franchise Tax Board (FTB) Offsets, Keeper Warrants, and Surety Demands. The TT III evaluates the requests, reviews the master file, Automated Compliance Management System (ACMS), and Integrated Revenue Information System (IRIS) prior to filing an early lien and renewing notice of tax liens. The TT III searches accounts in IRIS to match the FTB and EDD lists and works with the district offices and Centralized Collections to collect on the offset. The TT III reviews ACMS, IRIS, master files for liability periods and amounts due prior to issuing a Surety Demand, initiating Keeper Warrants, and creating Collection Cost.

EXHIBIT II (Continued)

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours M- Minutes	Time Per Occurrence	Occurrences Per Year	Total Hours
Tax Technician III	Lien Processing	H	0.25	2,700	675
	Early Lien Requests	H	0.25	1,600	400
	Lien Renewals/Jeopardy Liens	H	0.50	300	150
	EDD/FTB Offsets	M	3.25	7,385 ¹	400
	Keeper Warrants/Surety Demands	H	1	200	200
	Total Tax Technician III Hours				1,825
Total Tax Technician III Positions Requested (1,800 Hours Per Position)					1.01

1.0 Business Taxes Compliance Specialist

The Business Taxes Compliance Specialist (BTCS) receives and handles requests from District Offices, Centralized Collections, Legal Counsel, Escrow Companies, and other units within the BOE regarding Attorney General Referrals, Summons and Complaints, Partial Release of Liens, and Non-Partner Claims. The BTCS evaluates the requests, reviews master files, ACMS, IRIS, and other collection tools to validate the requests for Partial Lien Releases and Non-Partner Claims. This position prepares case summaries and responses for legal cases addressed by the Attorney General or Legal Counsel.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Business Taxes Compliance Specialist	Specialized Collection Actions/AG	H	40	20	800
	Summons & Complaints	H	40	10	400
	Partial Liens/Non-Partner Claims etc.	H	32	20	640
	Total Business Taxes Compliance Specialist Hours				1,840
Total Business Taxes Compliance Specialist Positions Requested (1,800 Hours Per Position)					1.02

1.0 Business Taxes Specialist I

The Business Taxes Specialist I (BTS I) handles the most complex collection and other legal cases involving the BOE. The BTS I reviews assignments, provides training and assistance to the Business Tax Representatives (BTR) and Business Tax Compliance Specialists, works on related special projects, prepares legal opinions for clarification and proper applications of laws and regulations of the BOE, acts as a lead, and provides guidance to staff in the absence of the supervisor.

¹ Volume accounts for all steps of the offset process, from initial search through completion of offset.

EXHIBIT II (Continued)

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Business Taxes Specialist I	Legal Opinions- Collection Issues	H	40	3	120
	Special Projects	H	160	2	320
	Review of BTCS & BTR/Complex Collection Cases	H	80	12	960
	Assignment and Review	H	40	12	480
	Total Business Taxes Specialist I Hours				1,880
	Total Business Taxes Specialist I Positions Requested (1,800 Hours Per Position)				1.04

Operations Management Section

The Operations Management Section (OMS) of the Special Operations Branch provides technical, operational and administrative support to the entire Legal Department.

1.0 Associate Government Program Analyst

The Associate Government Program Analyst (AGPA) independently conducts research and analysis for preparation of proposals, issue papers and summary recommendations, and evaluates data to formulate statistical reports for use in management's decision making process. The AGPA may be required to collect, maintain and update databases of statistical or other program data, and develop and maintain a tax loss and collection tracking system or other tracking systems as needed by the Legal Department. The position will be required to attend meetings and/or conferences in the performance of assigned duties, assist with special projects and serve on team projects.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Assoc. Govt. Program Analyst	Reports, studies, issue papers, proposals, statistical data	H	40	35	1,400
	Attend meetings	H	2	30	60
	Projects	H	40	11	440
	Develop and maintain tracking systems (tax loss/collection)	H	35	5	175
	Develop and maintain databases	H	3	25	75
	Total Associate Government Program Analyst Hours				2,150
	Total Associate Government Program Analyst Positions Requested (1,800 Hours Per Position)				1.19

Investigations Division

The Investigations Division (ID) is responsible for administering the BOE's criminal investigations program. The division plans, organizes, directs, and controls all criminal investigative activities for the tax programs administered by the BOE. The goal is to deter tax

EXHIBIT II (Continued)

evasion by identifying, investigating, and prosecuting those who violate the BOE tax and fee laws. While completely eliminating tax evasion may not be possible, reducing it significantly benefits California residents and business owners.

Tax evaders, a significant part of the "underground economy," contribute to California's tax gap. Such individuals and businesses typically deal in cash or otherwise conceal their activities from government licensing, regulatory and taxing agencies. Tax loss from this cash-driven underground system includes legal forms of businesses in addition to the better known illegal economic activity. Each year tax evaders fail to pay hundreds of millions of dollars in sales taxes and other taxes/fees administered by the BOE. However, the BOE suffers its largest revenue loss from sales tax evasion. Sales tax evasion by sellers operating without a seller's permit is estimated at \$450 million annually and another \$400 million in projected underreported sales tax by retailers with seller's permits.² The various schemes used by tax evaders result in costs to both legitimate business operators as well as California residents.

ID proposes to enhance its efforts in pursuing tax evasion by building partnerships with federal, state, and local agencies to identify sectors of the underground economy that will generate additional criminal tax evasion cases. The division will increase its efforts in working cooperatively with such groups as the Joint Enforcement Strike Force (JESF) and the Underground Economy Enforcement Task Force. These groups focus on combining resources and sharing information among state agencies charged with enforcing license, labor and tax laws. In coordination with the District Attorney Offices, Investigators will also focus on those industries where evidence of escalated tax evasion has been observed but have not been worked due to lack of resources. ID will generate 2.5 additional felony tax evasion cases a year from internal leads, leads obtained from other agencies, and referrals from the District Attorney Offices.

The careful manipulation by tax evaders to hide financial assets to avoid payment of outstanding debts and disclosure in bankruptcy proceedings adds yet another layer to the sales tax gap. The Investigations Division (ID) proposes adding dedicated resources to its program to work with the various High Intensity Financial Crimes Area (HIFCA) task forces across the state to enhance investigative efforts through high value evasion targets, criminal prosecutions, and collections. HIFCA's role is to disrupt and dismantle large scale money laundering systems and organizations.

The division's limited work with HIFCA to date has proven of significant benefit to the BOE—at just one HIFCA meeting, staff acquired sufficient information to develop a felony tax evasion case wherein the taxpayer owed the BOE more than \$3 million in unpaid taxes.

Ongoing participation in HIFCA will allow for access to financial institution information as well as the analysis of new financial forensic tools that can assist in the identification of positive revenue audit leads, potential underreporting, and non-filers. This will be an asset in our criminal investigations and collections of significant liabilities when the information is analyzed against BOE accounts owing large liabilities. Of the leads developed through HIFCA, ID will generate 8 additional felony cases annually.

With the resources requested for its enhanced enforcement program, ID will work approximately 10.5 felony tax evasion cases averaging \$557,143 per case, or \$5.9 million in revenue annually,

² Source: BOE Research and Statistics Section

EXHIBIT II (Continued)

which translates to a benefit to cost ratio of 5.0:1 (see table below). Of the 10.5 generated from agency partnerships and HIFCA leads, approximately 7,686 hours will be dedicated to investigations and 2,666 hours to audit work.

Workload	Hours	PYs
Evaluate HIFCA Data to Develop Leads	1,533	1.01
Cases (732.02 x 10.5)	7,686	5.06
Audits (255 x 10.5)	2,666	1.66
Supervision	1,800	1.00
Support	1,800	1.00
Estimated Total PY Hrs	15,485	9.73

Detailed position descriptions and workload is reflected in the following tables.

2.0 Business Taxes Specialist II (Investigator)

The Business Taxes Specialist II's (BTS II) will work directly with the regional High Intensity Financial Crimes Area (HIFCA) task forces to develop case leads approximately 50 percent of the time with the balance of their time focused on handling the more complex and difficult investigative field work.

Serving as leads to a BOE Forensic Financial Crimes Investigation Team, the Investigators will liaison with FinCEN, participate in HIFCA meetings, financial document interpretation/training, forensic financial examination and evaluation, and develop policies stemming from high-level analysis of financial banking documents in response to precedent setting audit and compliance issues. The Investigators will be responsible for creating and maintaining goodwill in negotiating with financial institutions, taxpayers, and local, state and federal law enforcement. These positions require Limited Peace Officer (LPO) status.

Work Load Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Investigator (BTS II)	HIFCA Meetings	H	8	36	288
	Analysis of HIFCA Data	H	3.65	160	584
	Financial Examination/Evaluation	H	4	36	144
	Reports on Findings	H	16	4	64
	Financial Document Examination/Investigation	H	2.0	108	216
	Coordination with FinCEN for Investigations	H	1.5	200	300
	Case and Field Investigations	H	144	10.5	1,512
	Total BTS II Hours				3,108
Total BTS II Positions Requested (1,520 Hours Per Position) ³					2.04

³ Peace Officer Standards and Training (POST) requires completion of PC 832 for all personnel exercising powers of arrest, search and seizure. Additionally, POST recommends 80 hours of annual law enforcement related training to reinforce and expand upon the basic training provided under PC 832. Since Investigators will be required to enforce all tax laws of the BOE, it is anticipated that an additional 80 hours of additional training will be required to refresh ID employees, as well as update employees on changes related to applicable tax and enforcement laws. Accordingly, ID investigator positions are calculated using 1520 hours per PY.

EXHIBIT II (Continued)**3.0 Business Taxes Specialist I (Investigator)**

The Investigators are responsible for all aspects of the criminal felony investigation. This includes writing search warrants, investigative coordination with local, state and federal law enforcement agencies, conducting surveillance, completion of criminal audits, preparing prosecution packages, giving testimony in court, and securing other material needed to successfully pursue a prosecution and/or civil audit determination.

The Investigators will also provide analytical and investigative services to the Forensic Financial Crimes Investigation Team. They will be responsible for analyzing financial data obtained by the lead investigators against BOE taxpayer account data, draft prepare and serve executed subpoena requests to financial institutions, conduct comprehensive asset investigations to identify unreported income, hidden bank accounts, safety deposit boxes, certificates of deposit and other financial assets to assist in the collection of outstanding BOE liabilities. In addition, these positions will be responsible for compiling financial and other data resources for the completion of high value audit and registration leads for referral to BOE district offices and/or program areas.

Investigators are expected to work with limited supervision, analyze data and situations accurately, draw sound conclusions, take effective action, and interpret and apply compliance and audit procedures objectively. These positions require LPO status.

Workload Detail					
	Time Measure	Time Measure		On-going Activities	
Classification	Activity	H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Investigator (BTS I)	Conduct and Prepare Criminal Felony Case Investigation	H	230	10.5	2,415
	Work with partner agencies in gathering leads/evidence for underground economy investigations	H	35	2	70
	Subpoena Preparation	H	6	70	420
	Subpoena Service	H	3	70	210
	Prepare and Complete Prosecution Packages	H	70	10.5	735
	Prepare and Execute Search Warrants	H	24	12	288
	Pre-Trial Conferences with DA	H	5	10.5	63
	Attend and Participate in Trials	H	6	10.5	63
	Complete Investigative Report	H	30	10.5	315
	Total BTS I Hours				4,579
	Total BTS I Positions Requested (1,520 Hours Per Position)				3.01

1.0 Associate Tax Auditor

The Associate Tax Auditor position is classified at the Associate Tax Auditor level due to the complexity of the determinations. This position will conduct the more complex fraud/tax evasion audits, prepare appropriate audit reports, apply specialized audit procedures and techniques, assist in identifying inter-related fraud schemes, testify in court, and determine and coordinate civil tax fraud audit efforts with other government tax agencies. Responsibilities include determining the appropriate test or statistical sampling methodology, preparing working papers to support audit findings, issuing billings as needed when adequate books and records are not made available, and explaining audit findings to taxpayers or their representatives. The auditor may be involved

EXHIBIT II (Continued)

in the appeals process related to audits or field billing orders including petitions for redetermination and hearings. The table below provides the estimated workload for this position.

With each criminal investigation, a civil audit(s) is conducted. While the focus of a criminal investigation is on the individual(s), a civil audit may involve the review of transactions of multiple ownership entities. Auditors evaluate evidence found in civil audits to determine if factors are indicative of tax evasion or fraud. While conducting an audit, the auditor may discover liabilities owing in other BOE tax or fee programs resulting in multiple program billings.

Only one ATA position is being requested in this BCP. However, to address the audit workload associated with the 10.5 cases, 1,060 hours of overtime is being requested for this position.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Assoc. Tax Auditor	Conduct audits and prepare civil audit reports	H	200	10.5	2,100
	Prepare Fraud Memo	H	20	10.5	210
	Handle Petition/Appeal Issues	H	20	10	200
	Coordination with Taxpayer	H	10	15	150
	Total Audit Hours Required				2,660
	Total ATA Positions Required (1,600 Hours Per Position)				1.66
	Requested ATA Positions				1.00
	OT Hours Requested				1,060

1.0 Senior Information Systems Analyst – (Computer Forensic Expert)

The Computer Forensic Expert (CFE) is classified at the Senior Information Systems Analyst level due to the complexity and highly technical nature of duties required. The CFE supports all ID Investigative cases including, but limited to, High Intensity Financial Crimes Area (HIFCA) investigations and cooperative work with local, state, and federal law enforcement in the conduct of forensic financial modeling and analysis. The CFE obtains data through the department's participation in HIFCA, as well as the extraction of data from BOE's Integrated Revenue Information System (IRIS) and electronic data (evidence) obtained via felony tax evasion investigations. The CFE will also participate in search warrants executed by the ID to secure, image or seize suspect stand-alone computers or sophisticated computer networks. Using specialized forensic software, the CFE will extract data and prepare evidence reports and give expert testimony in court in the prosecution of felony criminal cases.

EXHIBIT II (Continued)

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Computer Forensic Expert (SISA)	Financial Forensic Data Mining/Modeling/Evaluation	H	57	8	456
	Participate in Search Warrants	H	6	12	72
	Forensic Analysis of Seized Computers	H	52	12	624
	Design & Implement Databases of Collected Data for Use by Investigators	H	10	25	250
	Provide Expert Testimony in Court	H	8	9	72
	Provide Technical Consultation to Staff/Attorneys on Felony Cases	H	2	9	18
	Provide Management Research and Analysis on Emerging Forensic Imaging and Analysis Tools	H	20	2	40
	Total SISA Hours (Computer Forensic Expert)				1,532
	Total SISA Positions Requested (1,520 Hours/Position)				1.01

1.0 Business Taxes Administrator II (Supervisor)

The Business Taxes Administrator II (Supervisor) position is classified at the Business Taxes Administrator II (BTA II) level within the ID of the Legal Department due to the type and classification of positions supervised. This position directly supervises investigators in an effort to enhance compliance for tax programs administered by BOE. Typical supervisory responsibilities include providing day-to-day direction to staff who will investigate criminal tax evasion, present cases to various district attorneys, testify in court, approve citations issued during an investigation, track and coordinate audit referrals, and approve final resolution of cases. Other duties include establishing and maintaining policies and procedures, providing guidelines, addressing personnel issues, and other management and supervisory functions as needed.

The table below provides the estimated workload for this position.

EXHIBIT II (Continued)

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Supervisor (BTA II)	Plan, organize, direct and monitor criminal and fraud investigations.	H	21	10	210
	Explore opportunities to partner with other agencies for investigations of underground economy	H	10	15	150
	Coordinate joint underground economy investigations with partner agencies	H	36	10	360
	Review investigation reports and prosecution packages.	H	10	21	210
	Provide information regarding tax fraud prosecution cases to District Attorneys, Legal and BOE administration.	H	12	21	252
	Provide court testimony.	H	6	21	126
	Review and approve time reports, expense claims, equipment use reports and field billing order requests.	H	16	12	192
	Coordinate and conduct training.	H	80	1	80
	Conduct personnel evaluations.	H	6	12	72
	Prepare and discuss monthly activity reports with administration; conduct monthly investigator staff meetings.	H	8	12	96
	Assist in development of policy and procedures, annual budget.	H	16	4	64
	Total BTA II Hours				1,812
	Total BTA II Positions (1,800 Hours per Position)				1.01

1.0 Tax Technician III (Field Support)

The ID Field Support personnel is classified at the Tax Technician III (TT III) level due to the difficult and complex technical duties that will be required to support and advise the ID investigative staff. The TT III will be used as office-based support to ID investigators while in the field. The TT III will run searches and queries of the BOE's database system for current taxpayer and business information. This position will independently query database information on suspects, review and evaluate query results, draw accurate and sound conclusions, and advise investigators of other pertinent internal and external information available. The TT III will also screen web complaints for possible investigative leads, tracks tax evasion complaints, and serves as backup to the Evidence Custodian to secure seized evidence from search warrants. The table below provides the estimated workload for this position.

EXHIBIT II (Continued)

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Field Support (TTIII)					
	Screen and process web tax evasion complaints	H	.25	360	90
	Input and track tax evasion complaints	H	.50	500	250
	Prepare complaint referrals from all sources	H	.75	700	525
	Distribute complaint referrals to other departments or agencies	H	.50	700	350
	Query & Verify Account Details	H	0.25	180	45
	Maintain Accounts	H	0.25	720	180
	Investigative evidence intake	H	.8	36	288
	Reports	H	4	20	80
	Total Tax Tech. III Hours				1,808
	Total Tax Tech. III Positions (1,800 Hours Per Position)				1.00

Taxpayers' Rights and Equal Employment Division

The Taxpayer's Rights Advocate (TRA) Office fulfills its mandate by assisting taxpayers who have been unable to resolve a matter through normal channels; by providing information on various procedures including when there appears to be a rights violation in either the audit or compliance areas; and by providing information on policies and procedures so that the taxpayer can be better prepared to discuss and resolve issues at the lowest level and with the least amount of effort.

1.0 Business Taxes Specialist I

The Business Taxes Specialist I position will handle the calls and complaints (cases) taxpayers make to the Taxpayers' Rights Advocate. In addition this position will prepare for legislation, clearances, Division PC coordinator duties, statutorily required annual report, Taxpayer Bill of Rights hearings, Board hearings, external and internal outreach and projects. The increase in number of collection staff included in this proposal is anticipated to increase activities in the TRA's office, resulting in the need for one additional Business Taxes Specialist I position.

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
BTSI	Business Cases	H	7.5	135	1,011
	Phone Inquiries	H	0.25	1,348	337
	Total BTSI Hours				1,348
	Total BTSI Positions Requested (1,800 Hours Per Position)				0.75

EXHIBIT II (Continued)**1.0 Tax Technician I**

The Tax Technician I position sets up cases, closes out cases and answers calls. The increase in number of collection staff included in this proposal is anticipated to increase activities in the TRA's office, resulting in the need for one additional Tax Technician I position.

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Tax Tech I	Business Cases – Establish	H	7.5	136	1,020
	Business Cases – Close-out	H	0.25	680	170
	Telephone Inquiries	H	0.25	680	170
	Total TTI Hours				1,360
	Total TTI Positions Requested (1,800 Hours Per Position)				0.76

Technology Services Department (TSD)

The Technology Services Department (TSD) is responsible for the computer systems and technology infrastructure that support the BOE tax and administrative programs. To provide the necessary hardware and software support for the additional positions included in this proposal, TSD will require 1.0 Staff Information Systems Analyst (SISA) positions.

1.0 Staff Information Systems Analyst (TSD Support Staff)

The Staff Information Systems Analyst (SISA) position is needed to support network connectivity, network hardware and operating systems, server and applications software, routers, gateways, personal computers and peripherals operating in a multi-platform/protocol network environment, associated with the program.

The table below provides the workload related to this position.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence		Total Hours
IT Support Services (SISA)	Troubleshoot Problems/User Support and Training	H	Variable		900
	Maintain Encryption, VPN, Tunnelguard and other Security	H	Variable		250
	Build, Test and Maintain Computer Images	H	Variable		250
	Coordinate with customer Depts/Divs	H	Variable		100
	Special Projects, Documentation	H	Variable		100
	Travel to Remote Offices	H	Variable		100
	Lead Functions	H	Variable		100
	Total SISA Hours				1,800
	Total SISA Positions Requested (1,800 Hours Per Position)				1.0

EXHIBIT II (Continued)**Administration Department****Human Resources Division (HRD)**

The Human Resources Division (HRD) is responsible for maintaining personnel administrative duties for all BOE employees. These positions are vital as the BOE faces the challenge of attracting and retaining a well-qualified workforce while competing with the private sector for talent. In order to support this proposal, HRD requires the addition of 0.5 Personnel Specialist and temporary help resources.

0.5 Personnel Specialist (Personnel Transactions Section) – The duties of this position are as follows:

- Hiring/Appointment Process: certification appointment process, verification of the minimum qualifications prior to appointment, salary determinations, position control activities, and appointments.
- Attendance/Pay and Benefits: all payroll activities (regular and miscellaneous), benefit administration, maintaining leave balance information, timekeeping, and disability claims administration.
- Administrative Detail: correspondence to employees, control agencies, and other jurisdictions; employment verification, subpoena documentation, retroactivity reports, accounts receivable, MIRS reports, service awards, EDD claims, and security monitoring.
- Employee contact: emails; telephone calls, and personal contact.

The table below provides the workload related to this position.

Classification	Activity	Hours Per Occurrence	# of Employee	Per Year	Total Hours Per Year
Personnel Specialist	Attendance/Pay and Benefits ¹	0.26	79.0	12	246.5
	Administrative Detail (Reports, Training, Correspondence) ²	0.21	79.0	12	199.1
	Employee Contact Time ³	0.60	79.0	12	568.8
	Appointment Maintenance ⁴	0.43	79.0	12	407.6
Total PS Hours					1422.0
Total PS Positions Requested (1800 Hours per Positions)					0.5

¹Activities included in this category are: all payroll activities (regular and miscellaneous), benefit administration, maintaining leave balance information, timekeeping, and disability claims administration.

²Activities included in this category are: correspondence to employees, control agencies, and other jurisdictions; subpoena documentation, retroactivity reports, accounts receivable, MIRS reports, EDD claims, etc.

³Activities included in this category are: emails; telephone calls, and personal contact.

⁴Activities included in this category are: refills, transfers, promotions following the initial appointment.

EXHIBIT II (Continued)**Administration Support Division (ASD)**

The Administration Support Division (ASD) is the Change Agent for the BOE and staff is committed to providing support for the needs and expectations of the BOE. The ASD is responsible for administering the business management activities and programs which include Building and Businesses Operations Support, Business Services, Contracts and Procurement (Acquisition Program), and Publishing, Printing, and Supply Warehousing. The mission of the ASD is to provide a high level of customer service through the delivery of services in areas of leasing, property acquisitions and dispositions; building management and maintenance; administration of incoming and outgoing mail services; administration of the acquisition program for the purchase of necessary goods and services, administration of the telecommunications program; and printing, publishing, graphics; emergency preparedness, and other related administrative services. The ASD staff has a critical role in providing for the physical work environment for all BOE employees. Existing staffing levels do not allow ASD to complete the workload necessary to provide for the physical work environment under this new program. In order to support these needs ASD requires the addition of 0.5 Associate Business Management Analyst, and 0.5 Staff Information Systems Analyst and temporary help resources.

0.5 Associate Business Management Analyst (Space & Telecommunications Planning Section)

Space planning and allocation activities include, but are not limited to, project management, space planning and design, modular furniture configuration and design, project coordination which includes alterations, renovation, and change or configure space for employees hired and other on-going business management activities at district offices or within BOE headquarters building. Meet the space planning, on-going business management activities of a district office or headquarters office, leasing demands and coordinate those activities through the control agencies at both the state and local level i.e. Department of General Services, State Fire Marshal, local building departments, where required Department of Finance and other control jurisdictions.

The following table provides the estimated workload for this position.

EXHIBIT II (Continued)

FY 2011-12 and Ongoing Workload Detail				
Classification: ABMA	Time Measure			
Activity	H = Hours M = Minutes	Time Per Occurrence	Occurrences Per Year	Total Hours
Respond to service requests, generate work orders, and coordinate activities with DGS, property managers, lessors and board staff on routine facility issues.	H	1	264_a/	264
Perform routine facilities modifications such as modular furniture reconfigurations and reasonable accommodation requests.	H	8	14.6_b/	117
Perform space needs assessments, analyze special program requirements, and perform design services.	H	16	14.6_b/	234
Update CADD data base, floor plans, project files.	H	4	14.6_b/	58
In-State travel to annexes and field offices to work with contractors performing modular furniture and routine facility work.	H	22	7.3_b2/	161
Requisition office furnishings and modular work station components for employee turnover and reasonable accommodations.	H	16	3.6_c/	58
Provide project management and planning for remodeling and tenant improvement projects for new staff.	H	2	130_d/	260
Attend weekly construction meetings for tenant improvement (TI) projects.	H	2	26_e/	52
In-State travel for construction related meetings and inspections.	H	8	13_e2/	104
Total Hours per year				1308
Position based on 1,800 hours				0.5

_a/ estimated 1 hr per day per 73 employees and 264 calendar days (22 X 12)

_b/ averaged 800 requests per year per 4000 employees = multiplier 0.2 per PY x 73 = 14.6 request per year

_b2/ averaged 14.6 requests per year x 50% of staff located in field offices = 7.3

_c/ estimated employee turnover and RA = 5% x 73 = 3.6

_d/ estimated daily time spent on average project of medium complexity for 26 weeks (130 days).

_e/ averaged TI project is 26 weeks from start of construction to completion

_e2/ 50% of staff and projects located in field offices outside Sacramento

0.5 Staff Information Systems Analyst (Space & Telecommunications Planning Section)

Voice Telecommunications activities include, but are not limited to, project planning for voice requirements at each property, project cabling, relocation, cost planning, cellular, voice, Centex Management Services, installation, field office relocations and other related on-going business management activities to meet the changes in employee assignments and the increase of employees hired within BOE. The telecommunications staff has been tasked with meeting the changes of the telecommunications industry as BOE moves toward more information technology based equipment and services i.e. Voice over Internet Protocol (VoIP). Develop strategies to implement new digital telecommunications systems and enhanced opportunities for VoIP. Modernize and develop standards of practice that encompass the wide and varied services in telecommunications.

The following table provides the estimated workload for this position.

EXHIBIT II (Continued)

FY 2011-12 and Ongoing Workload Detail				
Classification: SISA (Specialist)	Time Measure			
Activity	H = Hours M = Minutes	Time Per Occurrence	Occurrences Per Year	Total Hours
Provide user support and troubleshooting for telecommunication devices.	H	1	264_a/	264
Perform routine services and support for moves and feature changes for telecom landline systems, cabling changes, wiring punch downs.	H	4	14.6_b/	58
Update in house data bases. Update AT&T and Verizon data bases.	H	2	14.6_b/	29
In-State travel to annexes and field offices to provide end user support, wiring changes and maintain systems	H	22	7.3_b2/	161
Requisition telecommunications components and services for employee turnover.	H	16	3.6_c/	58
Perform telecommunications needs assessments, analyze and adjust rate plans. Analyze telecommunications invoices and resolve disputes.	H	1	24_d/	24
Install software upgrades and provide user training on BlackBerry wireless devices	H	3	73_e/	219
Requisition, upgrade and deploy new wireless devices. Provide user training on new model features	H	4	36.5_f/	146
Provide project management and planning for tenant improvement projects and the installation of telecommunications systems to support new staff.	H	2	130_g/	260
Total Hours per year				1219
Position based on 1,800 hours				0.5

_a/ estimated 1 hr per day per 73 employees and 264 calendar days (22 X 12)

_b/ averaged 800 requests per year per 4000 employees = multiplier 0.2 per PY x 73 = 14.6 request per year

_b2/ averaged 14.6 requests per year x 50% of staff located in field offices = 7.3

_c/ averaged employee turnover, and RA = 5% x 73 = 3.6

_d/ estimated 1 hour per 75 employees to review wireless and landline invoices on a monthly basis. 2 invoices x 12

_e/ annual software upgrades and user training. 73 devices x 3 hour per user = 219

_f/ bi-annual equipment upgrade/refresh per wireless contract. 73 devices x .5 = 36.5 x 4 = 146

_g/ estimated daily time spent on average project of medium complexity for 26 weeks (130 days).

STATE OF CALIFORNIA
BUDGET CHANGE PROPOSAL--FISCAL DETAIL
STATE OPERATIONS
FISCAL YEAR 2011-12
(Dollars in Thousands)

Title of Proposed Change: Enhancing Tax Compliance

Program/Element/Component: _____

	PERSONNEL YEARS			CY 2010-11	BY 2011-12	BY + 1 2012-13
	CY	BY	BY + 1			
	2010-11	2011-12	2012-13			
TOTAL SALARIES AND WAGES _a/		74.5	82.6		\$4,050	\$4,430
Salary Savings		-3.7	-4.0		-195	-214
NET TOTAL SALARIES AND WAGES		70.8	78.6		3,855	4,216
Staff Benefits _a/					1,457	1,595
Distributed Administration _b/						
TOTAL PERSONAL SERVICES					\$5,312	\$5,811
OPERATING EXPENSE AND EQUIPMENT						
General Expense					\$934	\$268
Distributed Administration						
Printing						
Communications					107	78
Postage						
Travel--In-State					144	157
Travel--Out-of-State					18	18
Training					63	70
Facilities Operations					867	936
Consulting & Professional Services: Interdepartmental						
Consulting & Professional Services: External					200	200
Department of Technology Services					169	167
Data Processing					71	34
Equipment						
Other Items of Expense: (Specify Below)						

_a/ See page 35-36 of 36 for itemized staff benefits and classification detail.

_b/ Represents Distributed Administration costs resulting from this BCP. The Distributed Administration costs for existing BOE programs will reflect a corresponding decrease which will be addressed in the Planning Estimate process.

	CY 2010-11	BY 2011-12	BY + 1 2012-13
TOTAL OPERATING EXPENSE AND EQUIPMENT		\$2,573	\$1,928
TOTAL EXPENDITURES (State Operations)		\$7,885	\$7,739

Source of Funds

General Fund	(0001)	\$5,866	\$5,758
Special Funds:			
Breast Cancer Fund	(0004)		
State Emergency Telephone	(0022)		
Motor Vehicle Fuel Account	(0061)		
Occupational Lead Prevention Fund	(0070)		
Childhood Lead Poisoning Prev. Fund	(0080)		
Cig. and Tobacco Prod. Surtax Fund	(0230)		
Oil Spill Prevention and Admin. Fund	(0320)		
Integrated Waste Management	(0387)		
Underground Storage Tank Fund	(0439)		
Energy Resources Programs Account	(0465)		
CA. Children and Families First Trust Fund	(0623)		
Federal Trust Fund	(0890)		
Timber Tax Fund	(0965)		
Gas Consumption Surcharge Fund	(3015)		
Water Rights Fund	(3058)		
Elec. Waste Recovery and Recycling Acct.	(3065)		
Cig. and Tobacco Prod. Compliance Fund	(3067)		
Federal Funds			
Other Funds			
Reimbursements	(0995)	\$2,019	\$1,981
Net Total Augmentation (Source of Funds)		\$7,885	\$7,739

**DETAIL OF STAFF BENEFITS
AND PERSONAL SERVICES**

Staff Benefits Detail:	CY 2009-10	BY 2010-11	BY + 1 2011-12
	(Whole Dollars)		
OASDI		\$309,825	\$338,895
Health Insurance		529,888	580,215
Retirement		593,263	649,609
Workers' Compensation		2,401	2,629
Industrial Disability Leave		3,441	3,768
Non-Industrial Disability Leave		3,081	3,373
Unemployment Insurance		2,000	2,190
Other		13,443	14,720
TOTAL		\$1,457,342	\$1,595,399

Classification	Positions			Salary Range	a/	Amount		
	CY 2010-11	BY 2011-12	BY + 1 2012-13			CY 2010-11	BY 2011-12	BY + 1 2012-13
Administration Department								
Personnel Specialist		.5	.5	\$35,916			\$17,958	\$17,958
Associate Bus Mgmt Analyst		.5	.5	\$58,200			\$29,100	\$29,100
Staff Info Systems Analyst		.5	.5	\$70,356			\$35,178	\$35,178
Technology Services Department								
Staff Info Systems Analyst		1.0	1.0	\$70,356			\$70,356	\$70,356
Sales and Use Tax Department								
Bus Taxes Specialist I		1.0	1.0	\$74,016			\$74,016	\$74,016
Bus Taxes Compliance Spec		13.0	13.0	\$61,104			\$794,352	\$794,352
Bus Taxes Compliance Sup II		5.0	5.0	\$67,200			\$336,000	\$336,000
Bus Taxes Representative		25.0	25.0	\$42,384			\$1,059,600	\$1,059,600
Tax Technician III (adrs)		1.0	1.0	39,036			\$39,036	\$39,036
Tax Technician III		12.0	12.0	39,036			\$468,432	\$468,432
Legal Department								
Associate Tax Auditor		1.0	1.0	64,164			\$64,164	\$64,164
Bus Taxes Administrator II		1.0	1.0	77,316			\$77,316	\$77,316
Bus Taxes Specialist I (oic)		1.0	1.0	74,016			\$74,016	\$74,016
Bus Taxes Specialist I (inv)		1.0	3.0	74,016			\$74,016	\$222,048
Tax Technician III		1.0	1.0	39,036			\$39,036	\$39,036
Associate Gov Prog Analyst	b/		1.0	58,200				\$58,200
Bus Taxes Comp Specialist	b/		1.0	61,104				\$61,104

Bus Taxes Specialist I	_b/	1.0	74,016		\$74,016
Tax Technician III	_b/	1.0	39,036		\$39,036
Bus Taxes Specialist II		2.0	77,424	\$154,848	\$154,848
Senior Info Sys Analyst (spec)		1.0	77,400	\$77,400	\$77,400
Property & Special Taxes Dept					
Associate Tax Auditor		3.0	64,164	\$192,492	\$192,492
Bus Taxes Specialist I		1.0	74,016	\$74,016	\$74,016
Tax Technician III		1.0	39,036	\$39,036	\$39,036
Taxpayer Rights Advocate Office					
Bus Taxes Specialist I		1.0	74,016	\$74,016	\$74,016
Tax Technician I		1.0	29,400	\$29,400	\$29,400
Blanket Funds:					
Overtime (Various)		(.6)	(.6)	49,036	49,036
Temporary Help			2.1	106,829	106,829
TOTAL SALARIES AND WAGES					
			74.5	82.6	
				\$4,049,649	\$4,430,037

_a/ The salary is the mid-step of the salary range for the stated classification.

_b/ Position effective 7/1/2012

SUPPLEMENTAL INFORMATION

Dollars in Thousands

	Current Year 2010-11	Budget Year 2011-12	Budget Year + One 2012-13
Proposed Equipment:			
N/A			
Total			
Proposed Contracts:			
Out of State Counsel		\$200	\$200
Total		\$200	\$200
One-Time Costs:			
General Expense		\$727	\$58
Communications		33	4
Department of Technology Services		15	1
Data Processing		55	4
Total		\$830	\$67
Future Savings:			
N/A			
Total			
Full-Year Cost Adjustments:			
N/A			
Total			